

RECEIVED
LEGISLATIVE AUDITOR
06 JUN -1 AM 11:05

WARD THREE MARSHAL –
CITY OF LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORTS

Years Ended December 31, 2005 and 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-14-06

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-8
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of net assets	11
Statement of activities	12-13
FUND FINANCIAL STATEMENTS	
Balance sheet-governmental funds	16
Reconciliation of the balance sheet-Governmental Funds to the statement of net assets	17-18
Statement of revenues, expenditures, and changes in fund balances-governmental funds	19
Reconciliation of the statement of revenues, expenditures, and changes in fund balances-governmental funds to the statement of activities	20-21
Statement of fiduciary net assets	22
Statement of changes in fiduciary net assets	23
NOTES TO BASIC FINANCIAL STATEMENTS	24-31
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND	33-34
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
RICHARD W. CASIDAY, C.P.A.
RAYMOND GUILLORY, JR., C.P.A.
GRAHAM A. PORTUS, E.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
JULIA W. PORTUS, C.P.A.

INDEPENDENT AUDITORS' REPORT

February 3, 2006

Honorable Joey Alcede
Ward Three Marshal - City of Lake Charles, Louisiana
Lake Charles, Louisiana

We have audited the accompanying basic financial statements of the Ward Three Marshal, a component unit of the City of Lake Charles, Louisiana, as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Ward Three Marshal's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Ward Three Marshal as of December 31, 2005 and 2004, and the respective changes in financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006, on our consideration of the Ward Three Marshal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison schedule on pages 4-8 and 30, respectively are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Gragson Casiday & Guillory

WARD THREE MARSHAL - CITY OF LAKE CHARLES

Management's Discussion and Analysis

Within this section of the Ward Three Marshal – City of Lake Charles, LA's (Marshal) annual financial report, the Marshal's management is pleased to provide this narrative discussion and analysis of the financial activities of the Marshal for the years ended December 31, 2005 and 2004. The Marshal's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The Marshal's assets exceeded its liabilities by \$348,007 and \$225,122 (net assets) for the year reported respectively.
- Total 2005 revenues of \$402,657 exceeded total 2005 expenses of \$279,778, which resulted in a current year surplus of \$122,879. Total 2004 revenues of \$315,466 exceeded total 2004 expenses of \$248,138 which resulted in a prior year surplus of \$67,328.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$59,043 and \$38,807 respectively include equipment, net of accumulated depreciation. There is no outstanding debt related to the purchase or construction of capital assets.
 2. Unrestricted net assets of \$288,958 and \$186,315 respectively represent the portion available to maintain the Marshal's continuing obligations to creditors.
- At the end of the current year, unrestricted net assets were 104% of total expenses and 72% of total revenues. At the end of the prior year, unrestricted net assets were 75% of total expenses and 59% of total revenues.
- Overall, the Marshal continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the Marshal's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Marshal also includes in this report additional information to supplement the basic financial statements.

WARD THREE MARSHAL – CITY OF LAKE CHARLES

Management's Discussion and Analysis (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Marshal's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Marshal's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the Marshal's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Marshal as a whole is improving or deteriorating. Evaluation of the overall health of the Marshal would extend to information other than the financial information provided in this report, such as diversification of the revenue base.

The second government-wide statement is the *Statement of Activities*, which reports how the Marshal's net assets changed during the current and previous fiscal year. All revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Marshal's distinct activities or functions on revenues provided.

Both government-wide financial statements distinguish governmental activities of the Marshal that are principally supported by other revenues and from activities that are intended to recover all or a significant portion of their costs through user fees and charges.

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Marshal uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Marshal's most significant funds rather than the Marshal as a whole.

The Marshal has one kind of fund:

Governmental fund is reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Marshal's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

WARD THREE MARSHAL – CITY OF LAKE CHARLES

Management's Discussion and Analysis (Continued)

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Marshal's budget presentations. Budgetary comparison statements are included as "required supplemental information" for the general fund. This schedule demonstrates compliance with the Marshal's adopted budget.

FINANCIAL ANALYSIS OF THE MARSHAL AS A WHOLE

The Marshal implemented the new financial reporting model used in this report beginning with the year ended December 31, 2004. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Marshal as a whole.

The Marshal's net assets at year-end are \$348,001 and \$225,122 respectively. The following table provides a summary of the Marshal's net assets:

	<u>2005</u>	<u>2004</u>
Assets:		
Current assets	\$ 289,302	\$ 201,349
Capital assets, net	<u>59,043</u>	<u>38,807</u>
Total assets	348,345	240,156
Liabilities:		
Current liabilities	<u>344</u>	<u>15,034</u>
Net assets:		
Investment in capital assets	59,043	38,807
Unrestricted	<u>288,958</u>	<u>186,315</u>
Total net assets	<u>\$ 348,001</u>	<u>\$ 225,122</u>

The Marshal continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 841 to 1 and 13.4 to 1 respectively. Net assets increased by \$122,879 for the current year and \$67,328 for the prior year. Note that approximately 17% of the net assets are tied up in capital. The Marshal uses these capital assets to provide services to its recipients.

WARD THREE MARSHAL – CITY OF LAKE CHARLES

Management's Discussion and Analysis (Continued)

The following table provides a summary of the Marshal's changes in net assets:

	<u>2005</u>	<u>2004</u>
Revenues	\$ 402,657	\$ 315,466
Expenses	<u>279,778</u>	<u>248,138</u>
Change in Net Assets	122,879	67,328
Beginning Net Assets	<u>225,122</u>	<u>157,794</u>
Ending Net Assets	<u>\$ 348,001</u>	<u>\$ 225,122</u>

Governmental Revenues

The Marshal is heavily reliant on court fees to support its operations. Court fees provided 57% of the Marshal's total revenues.

Governmental Functional Expenses

The total function of the Marshal's office is public safety activities as well as executing orders and serving subpoenas of the City Court. Of the total cost, depreciation on the equipment, vehicles and buildings was \$15,001 or 5.0% of total expenses for the current year and \$11,093 or 4.0% of total expenses respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Marshal's investment in capital assets, net of accumulated depreciation as of December 31, 2005 and 2004, was \$59,043 and \$38,807 respectively. See Note B for additional information about changes in capital assets during the year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

WARD THREE MARSHAL – CITY OF LAKE CHARLES

Management's Discussion and Analysis (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION-Continued

	<u>2005</u>	<u>2004</u>
Non-depreciable assets:		
Land	\$ -	\$ -
Depreciable assets:		
Equipment	161,882	133,943
Less accumulated depreciation	<u>102,839</u>	<u>95,136</u>
Book value-depreciable assets	<u>\$ 59,043</u>	<u>\$ 38,807</u>
Percentage depreciated	<u>64.0 %</u>	<u>71.0 %</u>
Book value-all assets	<u>\$ 59,043</u>	<u>\$ 38,807</u>

The major additions for 2005 and 2004 were vehicles and a travel trailer for a total cost of \$33,116 and \$20,116 respectively.

Long-term debt

At the end of both years, the Marshal had no debt.

ECONOMIC CONDITIONS AFFECTING THE MARSHAL

Since the primary revenue stream for the Marshal is court fees, the Marshal's revenues are subject to changes in the court system.

CONTACTING THE MARSHAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Marshal's finances, comply with finance-related laws and regulations, and demonstrate the Marshal's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Marshal, Joey Alcede, 800 Bilbo, Lake Charles, LA 70601.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA

STATEMENT OF NET ASSETS

December 31, 2005 and 2004

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ 272,445	\$ 185,998
Receivables - court fees	16,857	15,351
Capital assets, net of accumulated depreciation	<u>59,043</u>	<u>38,807</u>
TOTAL ASSETS	<u>348,345</u>	<u>240,156</u>
LIABILITIES		
Accounts payable	81	13,785
Accrued liabilities	<u>263</u>	<u>1,249</u>
TOTAL LIABILITIES	<u>344</u>	<u>15,034</u>
NET ASSETS		
Invested in capital assets, net of related debt	59,043	38,807
Unrestricted	<u>288,958</u>	<u>186,315</u>
TOTAL NET ASSETS	<u>\$ 348,001</u>	<u>\$ 225,122</u>

The accompanying notes are an integral part of these statements.

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Activities	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets Governmental Activities
		Fees, Fines and Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Public safety	\$ 279,778	\$ 402,657	\$ -	\$ 122,879
Changes in net assets				\$ 122,879
Net assets – Beginning				225,122
Net asset – Ending				\$ 348,001

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL - CITY OF LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenues and Changes in <u>Net Assets</u> Governmental Activities
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Public safety	<u>\$ 248,138</u>	<u>\$ 315,466</u>	<u>\$ -</u>	<u>\$ 67,328</u>
Changes in net assets				\$ 67,328
Net assets -- Beginning				<u>157,794</u>
Net asset -- Ending				<u>\$ 225,122</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTIONS

General Fund

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2005 and 2004

	General	
	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ 272,445	\$ 185,998
Receivables- court fees	<u>16,857</u>	<u>15,351</u>
TOTAL ASSETS	<u>\$ 289,302</u>	<u>\$ 201,349</u>
LIABILITIES		
Accounts payable	\$ 81	\$ 13,785
Accrued liabilities	<u>263</u>	<u>1,249</u>
TOTAL LIABILITIES	<u>344</u>	<u>15,034</u>
FUND BALANCES		
Unreserved	<u>288,958</u>	<u>186,315</u>
TOTAL FUND BALANCES	<u>288,958</u>	<u>186,315</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 289,302</u>	 <u>\$ 201,349</u>

The accompanying notes are an integral part of the basic financial statement.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

December 31, 2005

Total fund balance for governmental funds at December 31, 2005	\$ 288,958
--	------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital assets, net of \$102,839 accumulated depreciation	<u>59,043</u>
---	---------------

Total net assets of governmental activities at December 31, 2005	<u>\$ 348,001</u>
--	-------------------

The accompanying notes are an integral part of the basic financial statements.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

December 31, 2004

Total fund balance for governmental funds at December 31, 2004	\$ 186,315
--	------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital assets, net of \$95,136 accumulated depreciation	<u>38,807</u>
--	---------------

Total net assets of governmental activities at December 31, 2004	<u>\$ 225,122</u>
--	-------------------

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES –GOVERNMENTAL FUNDS

Years Ended December 31, 2005 and 2004

	General	
	2005	2004
REVENUES		
Court Fees	\$ 228,314	\$ 180,179
Intergovernmental	60,940	65,444
Commission from fiduciary activities	32,362	34,348
Reserve	74,462	9,584
Other	6,579	25,911
Total revenue	<u>402,657</u>	<u>315,466</u>
EXPENDITURES		
General government:		
Automobile	14,124	21,944
Computer	418	416
Contract labor	62,804	-
Depreciation	-	-
Dues and subscriptions	1,993	1,893
Equipment rental	-	2,649
Equipment repair	5,031	1,001
Law enforcement supplies	11,670	2,023
Legal and professional	2,532	1,260
Meals and travel	1,300	3,910
Miscellaneous	3,641	4,307
Office supplies	15,928	10,702
Outside service	-	4,495
Payroll taxes	8,995	9,708
Pension	-	4,055
Radio communication	5,676	5,290
Reimbursements	2,070	-
Taxes-other	116	-
Telephone	1,876	7,843
Training and education	2,887	4,759
Uniforms	9,736	5,954
Wages	111,431	144,836
Capital outlay	37,786	26,427
Total expenditures	<u>300,014</u>	<u>263,472</u>
NET CHANGES IN FUND BALANCE	102,643	51,994
FUND BALANCE – BEGINNING	<u>186,315</u>	<u>134,321</u>
FUND BALANCE – ENDING	<u>\$ 288,958</u>	<u>\$ 186,315</u>

The accompanying notes are an integral part of the basic financial statement.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES

Year Ended December 31, 2005

Total net changes in fund balances at December 31, 2005 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 102,643
---	------------

The change in net assets reported for governmental activities in the
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 37,786	
Depreciation expense for the year ended December 31, 2005	<u>(15,001)</u>	22,785

Loss on abandonment of fixed assets	<u>(2,549)</u>
-------------------------------------	----------------

Total changes in net assets at December 31, 2005 per Statement of Activities	<u>\$ 122,879</u>
--	-------------------

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES

Year Ended December 31, 2004

Total net changes in fund balances at December 31, 2004 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 51,994
---	-----------

The change in net assets reported for governmental activities in the
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 26,427	
Depreciation expense for the year ended December 31, 2004	<u>(11,093)</u>	<u>15,334</u>

Total changes in net assets at December 31, 2004 per Statement of Activities	<u>\$ 67,328</u>
--	------------------

The accompanying notes are an integral part of the basic financial statements.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ <u>17,576</u>	\$ <u>31,717</u>
Total Assets	\$ <u>17,576</u>	\$ <u>31,717</u>
LIABILITIES		
Due to others	\$ 17,576	\$ 31,717
Due to other funds	<u>-</u>	<u>-</u>
Total Liabilities	17,576	31,717
NET ASSETS		
Unrestricted	<u>-</u>	<u>-</u>
Total Liabilities and net assets	\$ <u>17,576</u>	\$ <u>31,717</u>

The accompanying notes are an integral part of these statements.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Garnishments	\$ 582,261	\$ 633,004
Cash appearance bonds	25	3,800
Fines and costs	901	1,500
Suits, sales, seizures, etc.	<u>11,055</u>	<u>9,364</u>
Total revenues	<u>594,242</u>	<u>647,668</u>
EXPENSES		
Remittance of seizures, bond forfeitures, fines, and cost:		
General Fund	34,253	38,860
Attorneys	492,333	556,994
City Court	-	1,500
Other	67,656	46,514
Refunds - cash bonds	<u>-</u>	<u>3,800</u>
Total expenses	<u>594,242</u>	<u>647,668</u>
CHANGE IN NET ASSETS	-	-
NET ASSETS – BEGINNING	<u>-</u>	<u>-</u>
NET ASSETS – ENDING	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statement.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As provided by Louisiana State Statute, the Marshal serves a six-year term as the chief executive officer of the City Court of Lake Charles, LA. The Marshal's responsibilities include executing the orders and mandates and serving subpoenas of the City Court as well as enforcing state and local laws and ordinances within the territorial boundaries of Ward Three of Calcasieu Parish, Louisiana. The Marshal also collects and disburses garnishments of wages, cash bonds, and installment payments of fines under orders of the City Court.

Much of the operations of the Marshal's Office is funded by the City of Lake Charles. The City pays the salaries of the regular deputy marshals, funds most of the operating expenditures, and provides the Marshal with office space. Such expenditures are included in the general fund, of the City of Lake Charles, LA and are not included in these component unit financial statements. These financial statements include expenditures funded from other sources such as court fees, intergovernmental revenues, and fees from fiduciary activities. Also included in these financials are certain agency funds that are maintained by the Marshal.

The financial statements of the Ward Three Marshal have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The more significant of the government's accounting policies are described below.

1. REPORTING ENTITY

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Ward Three Marshal includes all funds, account groups, et cetera, that are within the oversight responsibility of the Ward Three Marshal.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City of Lake Charles, LA for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City of Lake Charles, LA to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits or to impose specific financial burden on the City of Lake Charles, LA.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Organizations for which the City of Lake Charles, LA. does not appoint a voting majority but are fiscally dependent on the City of Lake Charles, LA.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the City of Lake Charles, LA financial statements would be misleading if data of the Ward Three Marshal was not included and due to the nature and significance of the relationship, the Marshal was determined to be a component unit of the City of Lake Charles, LA., the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Marshal and do not present information on the City of Lake Charles, LA., the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

2. BASIS OF PRESENTATION

The accompanying basic financial statements of the Ward Three Marshal have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Marshal as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the Marshal's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Marshal, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements

The Marshal uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Marshal functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Marshal are classified into two categories: governmental, and fiduciary. The emphasis on fund financial statements is on major funds, each displayed on a separate column. A fund is considered major if it is the primary operating fund of the Marshal or its total assets, liabilities, revenues, or expenditures of the individual governmental and enterprise fund is at least 10 percent of the corresponding total for all governmental and enterprise funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Marshal reports the following major fund:

The General Fund is the primary operating fund of the Marshal. It accounts for all financial resources except those that are required to be accounted for in other funds.

3. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

WARD THREE MARSHAL -- CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

4. BUDGET PRACTICES

Formal budgeting integration is employed as a management control device during the year for the general fund. These budgets are adopted on a basis consistent with generally accepted accounting principles.

5. CASH

Cash includes amounts in demand deposits, interest-bearing demand deposits, money market accounts, time deposits and those other investments with original maturities of 90 days or less. Under state law, the Marshal may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

WARD THREE MARSHAL -- CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2005 and 2004, the Marshal has \$290,021 and \$217,716, respectively in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank.

6. CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. The Marshal maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Automobiles	5-7 years
Equipment	5-7 years
Furniture and fixtures	5-7 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

7. EQUITY CLASSIFICATION

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt -- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

8. REVENUES, EXPENDITURES, AND EXPENSES

Revenue. Court fees and intergovernmental revenue are received in the month following collection by the City Court. The Marshal recognizes court fee revenue and intergovernmental revenue during the month they are collected by the City Court. The Marshal recognizes fees from fiduciary activities in the period such fees are collected.

Expenditures. Salaries are recorded when paid. Purchases of capital assets and other goods and services are recorded when those goods or services have been delivered. Principal and interest on general long-term obligations are recognized when due.

9. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE B – CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2005 follows:

	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at End of Period</u>
Automobiles	\$ 45,275	\$ 20,355	\$ -	\$ 65,630
Furniture and fixtures	8,476	-	-	8,476
Equipment	<u>80,192</u>	<u>17,431</u>	<u>(9,847)</u>	<u>87,776</u>
	133,943	37,786	(9,847)	161,882
Less accumulated depreciation:				
Automobile	20,143	8,656	-	28,799
Furniture and fixtures	7,005	246	-	7,251
Equipment	<u>67,988</u>	<u>6,099</u>	<u>(7,298)</u>	<u>66,789</u>
	<u>95,136</u>	<u>15,001</u>	<u>(7,298)</u>	<u>102,839</u>
	<u>\$ 38,807</u>	<u>\$ 22,785</u>	<u>\$ (2,549)</u>	<u>\$ 59,043</u>

Depreciation expense for the year was \$15,001.

A summary of changes in capital assets for the year ended December 31, 2004 follows:

	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at End of Period</u>
Automobiles	\$ 55,615	\$ 20,679	\$ 31,019	\$ 45,275
Furniture and fixtures	7,292	1,184	-	8,476
Equipment	<u>74,934</u>	<u>5,258</u>	<u>-</u>	<u>80,192</u>
	137,841	27,121	(31,019)	133,943
Less accumulated depreciation:				
Automobile	45,169	5,299	(30,325)	20,143
Furniture and fixtures	6,883	122	-	7,005
Equipment	<u>62,316</u>	<u>5,672</u>	<u>-</u>	<u>67,988</u>
	<u>114,368</u>	<u>11,093</u>	<u>(30,325)</u>	<u>95,136</u>
	<u>\$ 23,473</u>	<u>\$ 16,028</u>	<u>\$ (694)</u>	<u>\$ 38,807</u>

Depreciation expense for the year was \$11,093.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE C – CHANGES IN AGENCY FUND DUE TO OTHERS

A summary of changes in agency fund due to others for the year ended December 31, 2005, is as follows:

	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Balance at End of Period</u>
Garnishments funds	\$ 24,298	\$ 582,261	\$ (595,407)	\$ 11,152
Bonds fund	5,962	25	-	5,987
Seizures fund	467	11,055	(11,085)	437
Violations fund	<u>990</u>	<u>901</u>	<u>(1,891)</u>	<u>-</u>
	<u>\$ 31,717</u>	<u>\$ 594,242</u>	<u>\$ (608,383)</u>	<u>\$ 17,576</u>

A summary of changes in agency fund due to others for the year ended December 31, 2004, is as follows:

	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Balance at End of Period</u>
Garnishments funds	\$ 27,576	\$ 633,004	\$ (636,282)	\$ 24,152
Bonds fund	5,600	3,800	(3,438)	5,962
Seizures fund	-	9,364	(8,897)	467
Violations fund	<u>9,686</u>	<u>1,500</u>	<u>(10,196)</u>	<u>990</u>
	<u>\$ 42,862</u>	<u>\$ 647,668</u>	<u>\$ (658,813)</u>	<u>\$ 31,717</u>

NOTE D-COMMISSIONS

In accordance with state statute, the Marshal receives a commission of six percent of garnishments and other collections related to orders of the City Court as part of his compensation. The Marshal also receives six percent of the proceeds of sales of seized property as part of his compensation. During the period ended December 31, 2005 and 2004, commissions paid to the Marshal from the related agency funds totaled \$ 32,362 and \$34,348, respectively.

NOTE E- COMMITMENTS AND CONTINGENCIES

The Marshal is covered for substantially all business risks under the risk management programs of the City of Lake Charles, LA.

REQUIRED SUPPLEMENTARY INFORMATION

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

Year Ended December 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Court fees	\$ 219,000	\$ 228,314	\$ 9,314
Intergovernmental	78,000	60,940	(17,060)
Marshal commissions from fiduciary activities	10,000	32,362	22,362
Reserve	70,000	74,462	4,462
Other	<u>6,600</u>	<u>6,579</u>	<u>(21)</u>
	383,600	402,657	19,057
EXPENDITURES			
General government:			
Automobile	52,000	14,124	37,876
Computer expense	1,000	418	582
Contract labor	65,000	62,804	2,196
Dues and subscriptions	2,500	1,993	507
Equipment repair	5,500	5,031	469
Law enforcement supplies	11,250	11,670	(420)
Legal and professional	3,500	2,532	968
Meals and travel	2,400	1,300	1,100
Miscellaneous	5,500	3,641	1,859
Office supplies	18,050	15,928	2,122
Outside services	100	-	100
Payroll taxes	10,000	8,995	1,005
Radio communication	6,000	5,676	324
Reimbursements	2,500	2,070	430
Taxes –other	-	116	(116)
Telephone	1,500	1,876	(376)
Training and education	3,500	2,887	613
Uniforms	10,750	9,736	1,014
Wages	124,000	111,431	12,569
Capital outlay	<u>200</u>	<u>37,786</u>	<u>(37,586)</u>
Total expenditures	<u>325,250</u>	<u>300,014</u>	<u>25,236</u>
EXCESS OF REVENUES OVER EXPENDITURES	58,350	102,643	44,293
FUND BALANCE AT BEGINNING OF YEAR	<u>186,315</u>	<u>186,315</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 244,665</u>	<u>\$ 288,958</u>	<u>\$ 44,293</u>

The accompanying notes are an integral part of this statement.

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

Year Ended December 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Court fees	\$ 200,000	\$ 180,179	\$ (19,821)
Intergovernmental	70,000	65,444	(4,556)
Marshal commissions from fiduciary activities	40,000	34,348	(5,652)
Reserve	-	9,584	9,584
Other	<u>10,000</u>	<u>25,911</u>	<u>15,911</u>
	320,000	315,466	(4,534)
EXPENDITURES			
General government:			
Automobile	21,000	21,944	(944)
Computer expense	1,000	416	584
Dues and subscriptions	6,000	1,893	4,107
Equipment rental	2,000	2,649	(649)
Equipment repair	1,000	1,001	(1)
Law enforcement supplies	3,000	2,023	977
Legal and professional	2,000	1,260	740
Meals and travel	8,000	3,910	4,090
Miscellaneous	5,000	4,307	693
Office supplies	10,000	10,702	(702)
Outside services	6,000	4,495	1,505
Payroll taxes	13,000	9,708	3,292
Pension	7,000	4,055	2,945
Radio communication	-	5,290	(5,290)
Telephone	5,000	7,843	(2,843)
Training and education	4,000	4,759	(759)
Uniforms	6,000	5,954	46
Wages	180,000	144,836	35,164
Debt service			
Interest	-	-	-
Principal	1,000	-	1,000
Capital outlay	<u>10,000</u>	<u>26,427</u>	<u>(16,427)</u>
Total expenditures	<u>291,000</u>	<u>263,472</u>	<u>27,528</u>
EXCESS OF REVENUES OVER EXPENDITURES	29,000	51,994	22,994
FUND BALANCE AT BEGINNING OF YEAR	<u>134,321</u>	<u>134,321</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 163,321</u>	<u>\$ 186,315</u>	<u>\$ 22,994</u>

The accompanying notes are an integral part of this statement.



GRAGSON, CASIDAY & GUILLORY, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
RICHARD W. CASIDAY, C.P.A.
RAYMOND GUILLORY, JR., C.P.A.
GRAHAM A. PORTUS, E.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
JULIA W. PORTUS, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

February 3, 2006

Honorable Joey Alcede
Ward Three Marshal — City of Lake Charles, Louisiana
Lake Charles, LA

We have audited the financial statements of the Ward Three Marshal, a component unit of the City of Lake Charles, Louisiana, as of and for the period ended December 31, 2005 and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Ward Three Marshal's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ward Three Marshal's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Ward Three Marshal — City of Lake Charles, Louisiana
Page Two

This report is intended for the information of Ward Three Marshal's management, the City of Lake Charles, LA and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Gragson Casiday & Guillory

WARD THREE MARSHAL – CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2005

We have audited the basic financial statements of Ward Three Marshal - City of Lake Charles, Louisiana, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the basic financial statements as of December 31, 2005, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Basic Financial Statements disclosed no material weaknesses or reportable conditions regarding internal control or any instances of non-compliance material to the basic financial statements.

Section II Financial Statement Findings

No findings

Section III Federal Award Findings and Questioned Costs

Not applicable.

Section IV Prior Year Findings

Finding 2004-01: The Interim Marshal, Eric Authement, Jr. was apparently overpaid by the City of Lake Charles, LA during 2004. He continued to receive his regular deputy marshal's salary in addition to the base salary of the Marshal.

Corrective Actions Taken: The Marshal was not required to take any corrective action. The Marshal notified the City of Lake Charles, LA. Any corrective action would have been taken by the City of Lake Charles, LA.